

Another Way to Look at Your Vacation Time

Chances are, everyone at Massport treasures their vacation time, whether using it all or cashing in some – either way it holds a special place in our hearts (and our wallets).

We are lucky to have a policy in place at the Authority that allows us to cash in a portion of our unused vacation days. This is more commonly known as a “Vacation Buyback”.

At Massport, a good number of employees take advantage of the vacation buyback benefit, faithfully, year after year. However, as of January 2001 things are slightly different.

A recent ruling by the Public Employee Retirement Administration Commission (PERAC) states that the purchase of unused vacation time that accrued in a particular year counts as “regular compensation” for that year provided it meets certain criteria. PERAC is the state agency that regulates public retirement systems, and the Massport Retirement Board is responsible for administering

this policy.

What this means is that retirement deductions will now be taken from vacation buyback checks.

However, more importantly, what this means for those who are nearing retirement is that the purchase of unused vacation time could

potentially increase your future retirement benefit. Specifically, for this to be applicable, you need to purchase unused vacation time at least once during the last three years of your employment (typically your three highest salary years) in order to have the income

count as “regular compensation.” As regular compensation it will be included as part of your three-year salary average that is ultimately used to calculate your retirement benefit. Obviously, the more vacation time you are able to buy back during that three-year period, the higher the amount added to your salary will be.

Please note that final payments of accumulated vacation time that are made upon separation from service

or retirement are not considered “regular compensation” and therefore are not eligible.

To view the Authority’s vacation buyback policy, please refer to your Human Resources

Policies and Procedures Manual. If you have any questions about how your vacation buyback fits in with retirement, please contact the Retirement Board and Staff at (617) 568-3951. ☎

Retirement Annual Report Receives National Recognition

The Massport Retirement System recently received a prestigious national award recognizing excellence in financial reporting. As you may remember from the first issue of Outlook, the System submitted its 1999 Annual Report to the Government Finance Officers Association (GFOA) in the hopes of being the first public pension system in Massachusetts to attain the Certificate of Achievement for Excellence in Financial Reporting. We are very pleased to report that we have accomplished this mission!

The Retirement board and staff, as well as our consultants and former Massport graphic designer Steve Wolf, all worked hard to produce the detailed, high quality report in accordance with the GFOA’s strict submission guidelines – and we are proud to accept this distinct honor. Receiving the Certificate is especially gratifying because we are confident that our members have received a first-rate comprehensive annual report that demonstrates a constructive “spirit of full disclosure.” The Retirement System will strive to maintain the same level of excellence in financial reporting this year and in years to come.



What is a Bear Market?

- A.** A reduction in stock prices of 10% or more from a high point.
- B.** A drop in the Index of Leading Economic Indicators for three straight months.
- C.** An increase in stock prices of 20% or more from a low point.
- D.** A reduction in stock prices of 20% or more from a high point.

Answer: D, a reduction in stock prices of 20% or more from a previous high point, an event that occurred in late March for the Dow Jones Industrial Average.

In contrast, a bull market occurs when stock prices rise steadily over several months.

The terms were allegedly coined based on the way each animal attacks: A bull holds his head low and goes upward. A bear, on the other hand, strikes downward with its paws.



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Transitions

★ Congratulations

Congratulations to our recent retirees!

James O'Sullivan February 1
Margie Howze March 1

☺ Condolences

We offer our condolences to the family and friends of Dennis Magnasco, formerly of Logan Airport's Parking Operations Department.

For those of you who have access to the Internet, there is a wealth of information to be found there. In this section we will highlight web sites that we have found helpful, informative, interesting or just plain fun.

Buried Treasure

They may not help you find a pot of gold at the end of a rainbow, but the U.S. Treasury has a unique web site which helps you track down old savings bonds. It's called Treasury Hunt (www.publicdebt.treas.gov/sav/sbtreashunt.htm) and by entering some basic information including your



social security number, the site checks for bonds that you may never have received as well as alerting you to those that might be sitting in a box somewhere and are no longer earning interest.

College Loans

Do you have student loans (or Parent PLUS loans) as a lingering reminder of the price you paid for a valuable education? Get organized by using the Department of Education's Direct Loan web site: www.eduservices.com. There you can have (almost) all of your loan questions answered and keep track

of your payments. You can also download forms for services such as deferment, forbearance and electronic debiting; get info on consolidating; and submit a change of address.



Experience Retirement

If you are retired or approaching retirement and have never heard of Elderhostel, you may want to check it out. Go to their site www.elderhostel.org to glimpse educational activities and programs. They are currently featuring exploration cruises to



Antarctica or Japan and some examples of local seminars include: *Perfect Your Photography In Historic Salem* and *Bringing Life To Truth: Writing The Memoir*. We'll warn you — their

impressive programs carry an impressive price tag, but for some people this could be the answer to that age-old question, "What do I do in Retirement?"

Hi-Tech Missionaries

There are at least two web sites that use the net for a novel approach to charity fundraising. At "thehungersite.com" and "thebreastcancersite.com" visitors can make their clicks count. For every click at The Hunger Site, one cup of staple food is donated to a hungry person and at the Breast Cancer Site your clicks can help to provide an underprivileged woman with a mammogram. How can they be so generous you ask? The key is advertising. Sponsors donate money to the causes based on how many people visit the sites (thus viewing their ads). Attribute it to charity for the new millennium.



**Legal note: The Retirement System is not responsible for the content of these web sites or for the accuracy and completeness of any information contained in them.*

Retirement Upon Request

We can't grant everyone's retirement wishes, but here's one thing we can do. Director of Retirement Irene Moran and her staff would be happy to come to your department or unit staff meetings to provide information and answer questions about your retirement benefits. Appointments will be made upon request. If you are interested in having us attend your meeting, have your meeting coordinator contact Lisa Allen Brown at x3903 for more information.

Are You Covered?

Massport Human Resources recently distributed annual benefit statements to employees. With Open Enrollment taking place April 9 – May 11, now is a great time to ask yourself these questions:

- Do I have enough life insurance?
- Are all of my beneficiary designations up to date?
- Have I signed up for Long Term Disability (LTD) coverage?

The benefit statement and accompanying pamphlet are great resources to help employees understand their benefits. We strongly encourage you to read this information! If you have questions about Open Enrollment, please call HR's Loren Riley at (617) 568-3920.

Legislative Update

New IRA Regulations Issued by the IRS

The IRS has issued brand new regulations that apply to Individual Retirement Account (IRA) distributions. The changes are radical and this means that any literature or material about IRA distributions written before January 2001 has become obsolete.

Some of the changes include a simplified distribution method, a uniform

Free Advice

Be sure to check out the new lending library in the Retirement office at the LOC. We have more than 40 books covering many different aspects of financial planning including estate planning, investing, retirement planning, personal finance, and taxes. If you work at another facility you can request a book by calling Lisa Allen Brown at x3903.

life expectancy table and more flexibility with beneficiary changes. The rules are complicated so if you have an IRA and are retired or close to retirement you should consult with your financial advisor. Another good resource for information is Ed Slott's IRA Advisor web site: www.irahelp.com.



What A Difference A Year Makes

BY IRENE E. MORAN AND LISA ALLEN BROWN

It was only a year ago, but for investors who are looking back at last year's returns, it might seem like a gilded age. Last year at this time the bull market was still going strong. In 1999 the S&P 500 was up 21% and equity markets had consistently produced returns of over 20% for five years running.

Contrast that to the current climate and things are dramatically different. The year 2000 ended with a negative return for the S&P 500 down -9.1 % for the year, and the market has continued its decline in the first quarter of 2001.

Despite the current downfall in the market, one thing can be said for all members of the Massport Retirement System: the funds used to provide your retirement benefit are safe and will be in the future – thanks to a prudent investment strategy focused on long-term investing.

As fiduciaries, it is the Retirement Board's responsibility to invest the money of the pension fund and it does so with the help of an expert investment consultant, Wilshire Associates, and a variety of premier investment management firms. Wilshire assists the Board in developing an investment policy that aligns with the Board's philosophy of investing. The process includes asset allocation planning and periodic asset/liability studies.

Our sound asset allocation plan is the attributing factor to the Board's recent returns in the current bearish market environment. The fund is diversified with a mix of stock and bond investments as well as a small allocation of real estate and private equity investments. The diversification of the plan is intended to provide slow and steady growth over time with downside protection during market fluctuations.

Although our returns are down, performance has been relatively good compared to the indices. The pension fund totals approximately \$272 million and our year 2000 returns have only lost half of a percentage point. As of February 28, 2001 our fund is only down -2.3% – a negative but still better than the S&P 500 which had a loss of -5.9% for the same period. Despite short-term losses, the fund has seen an average annual return of 10.2% over five years.

The point we are trying to make is that our diverse asset allocation plan and long-term strategy do actually work (and in both market conditions). We encourage members to think about the significance of this, relative to their potential retirement benefit as well as their own personal investments.

As Retirement Board Chairman Jim Costello so aptly put it, "We are not looking for a home run in the first inning – retirement planning is a full nine-inning game." 



An Amazing Feat: Massport Retiree Chung-Li Ling Shares His Story

Chung-Li Ling, age 68, retired from the Port Authority in 1997 and one thing's for sure – he's been busy! Since retiring, he and his wife have taken a cruise up the Yangtze River, gone on a mission to Myanmar and also travel to see their children & grandchildren. Chung-Li finds time to volunteer for the Hingham Senior Center and also designed and built a two-story extension on his house – something he calls “feathering the empty nest.”

Perhaps the most amazing activity is his recent bike trip, with son Curtis, up the Pacific Coast in California. A 500-mile ride, just for fun, as he put it. Here is Chung-Li's Chronicle.

“When Curtis mentioned he wanted to bike from San Diego up the Pacific Coastal Highway (PCH) to Half Moon Bay south of San Francisco, I impulsively said that I would do it with him. Curtis was too polite to tell me I'm too old to make that trip with someone about half my age. So I marked on an AAA roadmap the overnight stops and made reservations in advance. We would make the trip in eight days to accommodate his work schedule. This meant riding over 90 miles on each of the first three days and 50 to 80 miles on each of the next five days.

The Journey Begins

We pushed off in the predawn darkness on October 6th in light drizzle that soon turned into a steady rain. There was nothing else to do but grind it out. By the time I pulled into the motel in Newport Beach nine hours later, Curtis had already checked in. This would be the pattern throughout the trip.

The sun was shining the next day. Our first big climb came at Malibu, in front of Pepperdine University. Then it's a fairly easy ride to Oxnard. The third day Curtis decided to stay with me. The terrain was

ideal for drafting and we reached Santa Barbara before noon for a leisurely lunch downtown – the only time we had lunch together on the entire trip. The air was quite chilly and Curtis could not keep warm riding at my pace. Almost immediately, a climb of 1,000 ft loomed ahead after lunch. It took me more than one hour to get to the top, 350 meters above sea level.

Navigating the Course

The PCH bike route is not well marked, so in addition to fighting the headwind, we had frequent nagging doubts whether we were on the right track. We were even stopped a couple of times by the California Highway Patrol for riding on sections of Highway 101 where bikes are not allowed. It was also difficult to dress for the ride. On the hour long hill climbing one would sweat bullets, then on the ten-minute downhill thrill, with the headwind blowing, the chill would cut into the bones.

After I met up with Curtis at the Ragged Point Inn on the fifth day, we recounted our experiences over dinner and savored a beautiful sunset. The next day we stayed at Big Sur



Chung-Li Ling takes a break in San Luis Obispo, CA —overlooking the Pacific Ocean.

Lodge – a really nice place. I must spend a few days here the next time I pass this place, in an automobile.

On day seven, the chain on my bike jammed and I had to flag down a motorist for help. I was back in the saddle by 9:30 and although I had no more mechanical troubles, I was plagued by poor signage and got lost several times. One of the highlights of the day was riding through Castroville, the “Artichoke Capital of the World.”

The Final Stretch

There was no way to get lost on the eighth day. Just stay on Highway 1. So my quest for adventure came to a happy ending when I pulled into son Bryant's driveway in Half Moon Bay. His wife Anne and their son Caleb were there as

part of the welcoming party. Curtis was already there a couple of hours earlier but still in his biking jersey. He got there “with no sweat.” Would I do it again? Not for a while, and certainly not from south to north. What are some of the other lessons learned? Travel light.”

Attention Retirees!

We'd like to know what you're doing! The Retirement System has enjoyed profiling retirees who are doing interesting things to fulfill their retirement years. We'd like to hear from more of you. Maybe you have a special hobby, a second career, have taken an exciting trip or made the decision to relocate. Whatever it could be, share your story with us. Who knows you may end up in a future issue of *Outlook*!

The views expressed here are those of the author and do not necessarily reflect the views of any other members of the retirement board.

One Size (does not) Fit All

BY DAVE DAVIS

A few years ago I was stuck in a hospital for a week. I was not really sick (it was knee surgery), but I was pretty embarrassed, particularly as I got out of the bed and went down the hall, on crutches, to physical therapy. “Embarrassed” is the right word. If you are 6’4” and over 200 pounds, the one-size-fits-all hospital “Johnny” definitely has a southern exposure.

Unfortunately the state law (Chapter 32) that governs our pension system is also an attempt to make one-size work for everyone. For some people it’s a reasonable fit. For increasing numbers of others, however, it is inadequate. The law was state of the art for pension systems when it was enacted, but that was 1945. The workforce has changed since then, and although Chapter 32 has been amended many times, it is more of a patchwork than a cohesive system that meets the needs of today’s workforce.

Chapter 32 works pretty well if Joe goes to work for Massport (or another Massachusetts jurisdiction) at age 33 and retires at age 65. In 32 years, at 65 years of age, Joe reaches the maximum benefit (80%) of the average salary of the highest three years. I say “pretty well” because although the pension system at Massport is fully funded, the

post-retirement medical and prescription drug benefits are not. Those benefits are extremely important to retirees and should be secured by full funding as the pension system was starting back in 1978. Now, what if Sally comes to Massport at age 20 and works 13 more years than Joe above? Shouldn’t she get a better pension for those extra 13 years? She should, but, assuming Joe and Sally are in the same kind of job, she gets the same as Joe. If she should retire at the end of 32 years, at age 52, having worked the same length of time as Joe, she’ll get a great deal less. This is not a case of discrimination against women; it’s just the way the system works. It is one of the reasons that so many feel such a sense of urgency when it comes to potential early retirement initiatives (ERI). ERI is a kind of patchwork fix for people who have put in their 32 years, but are not yet “old enough” to retire.

Of course we have many other examples of Chapter 32 shortcomings. The law was designed when one or two jobs during a lifetime was the norm. Now the norm is probably closer to five or six. This change has given rise to a host of problems: You just get your money back, no interest, if you work less than five years. If you work five to ten, you do get interest: one half the bank rate.



Take your 1.5% and be happy? And why do some folks contribute 5%, others 7%, others 8% and others 9% to the system? The answer: that was the patchwork solution to fully fund the systems across the state. That doesn’t make it fair.

I could go on, but it really isn’t necessary. I know I’m preaching to the choir. What’s to be done? Shall we try for more patchwork, or a comprehensive look at the whole system? Maybe take a look at what others have done. When it comes to pension systems, places like Colorado and Ohio can teach Massachusetts a lot. I say: let’s try for both. We have made some recent progress on the patchwork side with the beginnings of a nearly automatic increase for retirees, woefully inadequate at a maximum of \$360 per year, but nevertheless a start. (It’s called a cost of living adjustment, a COLA, but it falls short of a real COLA.) In addition there is the recent “pop-up” legislation which allows non-contributory members increased benefits when they had chosen option C and their beneficiaries have predeceased them. In addition there is Chapter 90A and 90C which allowed MPAERS to increase

pension payments to retirees with 25 years of Massport service.

Perhaps most importantly, the Authority itself is engaging an actuary hopefully as a first step in fully funding retirees health and prescription drug benefits.

On the comprehensive front, a bill is being introduced to study the overall Massachusetts system. I know anything can be, and often is, studied to death, but what is important here is that the sponsors include the Massachusetts Municipal Association. They are the ones who have often stopped pension liberalization for financial reasons.

Of course I intend to participate, as much as I am permitted, in any comprehensive study. I also have my own “patchwork” agenda. The reader won’t be surprised to know that fully funding medical benefits, and extending the COLA are matters of interest to me as a retiree. But I think we must also find a way to smooth out the diverse contribution rates, and otherwise make the system fairer for the active employees. I’ll continue to work on these issues. I invite your comments and suggestions. 🌀

Deferred Comp Corner

If you visit Aetna's web site, www.aetnafinancial.com, you'll find information on recent market turbulence and advice on how to get through these periods of uncertainty, including a special report called "Taking Stock" as well as a letter from Aetna Financial Services CEO Thomas J. McNerney. The following is an excerpt from that letter. The full text can be downloaded at: www.aetnafinancial.com/news_center/pdfs/customer.pdf.

"We at ING Aetna Financial Services can't stress enough that personal investment objectives, time horizon, tolerance for risk and need for income and liquidity should form the basis of personal investment strategies. If any of these factors

change, an investor may wish to review their allocation of asset classes and investment funds to ensure that it remains appropriate. Significant market movements, either up or down, typically aren't the best times to reassess portfolios and make changes."

For questions, concerns or to enroll in the deferred compensation plan, employees and retirees can reach Aetna Reps Anne Gately (Logan), Scudder Sinclair (Fish Pier, Bridge, Conley Terminal) and John Mongiello (Hanscom) at their Quincy office (617) 328-8868. You may also call the Aetna customer service line at 1-800-584-6001 or try their web site www.aetnafinancial.com.

For Employees with Massport Vehicles

If you are an employee who has a Massport motor vehicle assigned to you, you should be aware of a recent ruling by the Public Employee Retirement Administration Commission (PERAC) that deals with employer-assigned vehicles and retirement calculations. If you are one of the employees who has this fringe benefit income included on your W-2 form, the income will now be considered part of your "regular compensation" for retirement purposes (with some exceptions). For more information contact Irene Moran, Director of Retirement, at (617) 568-3951.

Retirement Board & Staff

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APRIL

- 16 Tax Day & Patriots' Day: Massport offices closed
*** School vacation week
- 19 Retirement Brown Bag Lunch Seminar (Fish Pier), 12 noon
- 22 Earth Day
- 25 Retirement checks mailed
Board Meeting: Logan Office Center, Board Room, 10 a.m.
Administrative Professionals Day

MAY

- 1 Pre-retirement seminar for Massport employees ages 55+
- 13 Mother's Day
- 19 Armed Forces Day
- 25 Memorial Day (observed): Massport offices closed
- 28 Retirement checks mailed
- 30 Board Meeting: Logan Office Center, Board Room, 10 a.m.

JUNE

- 14 Flag Day
- 17 Father's Day
- 26 Retirement checks mailed
- 27 Board Meeting: Logan Office Center, Board Room, 10 a.m.

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